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PRACTICAL OPINIONS

AGAINST

PARTNERSHIP

WITH

LIMITED LIABILITY,

IN A LETTER TO A FRIEND,

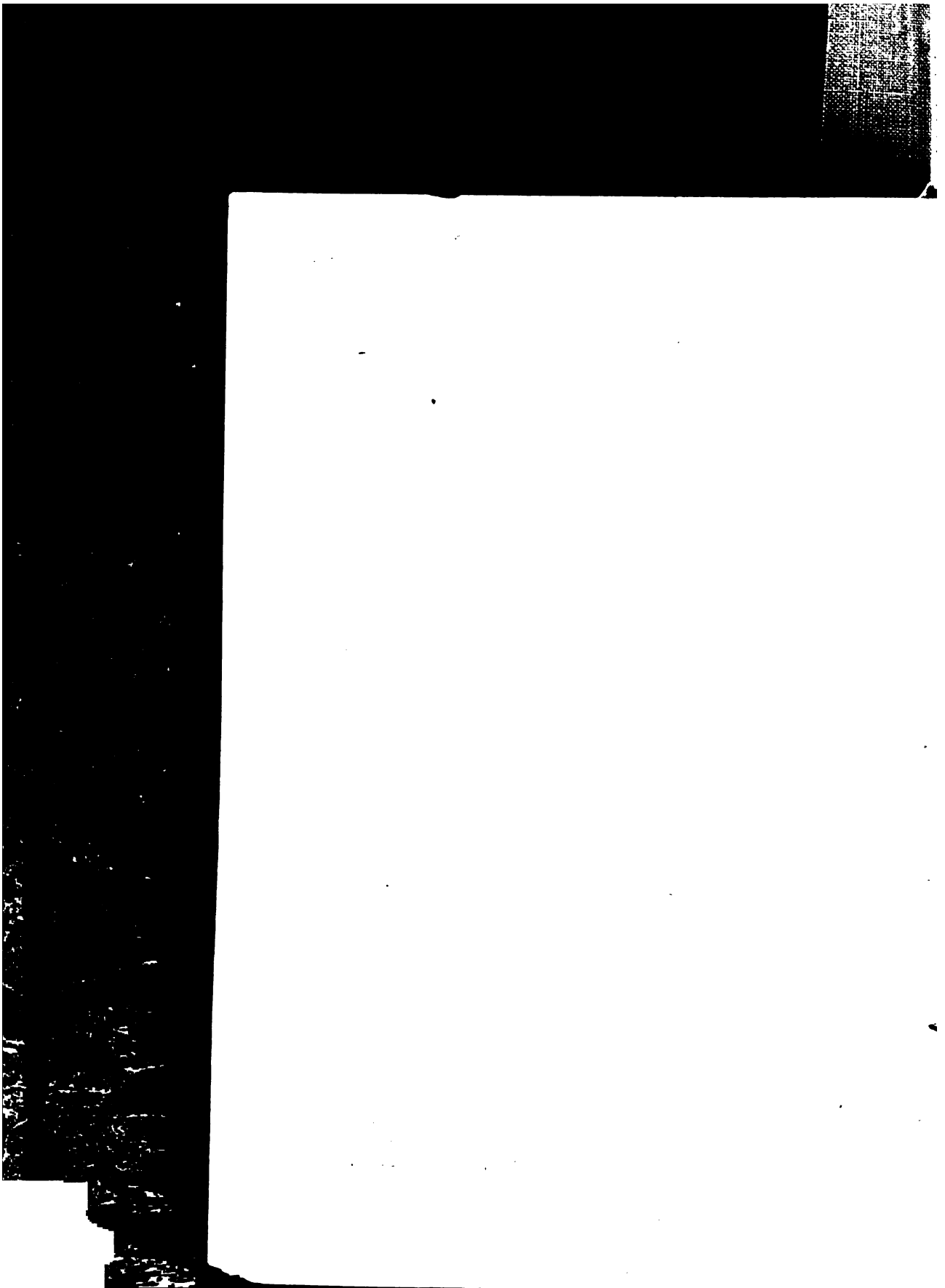
BY EDMUND POTTER.

LONDON:

JOHN CHAPMAN, KING WILLIAM ST., STRAND.

MANCHESTER: JOHNSON AND RAWSON, 89, MARKET STREET.

1855.



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P R E F A C E .

THE following Letter was printed about two months ago, chiefly for private circulation, with a view of promoting discussion, and explaining my practical opinions on the subject, more particularly to the friend who had sought for them. The question has since assumed great additional importance, from the fact of the Government having given notice of their intention to bring in a Bill, during the present session of Parliament, to alter the Laws of Partnership, and, I very much fear, conceding Limited Liability.

I am equally fearful the measure will be carried, a majority of the House of Commons being supposed to be in its favour. The press, with its influence, is strongly so, for many reasons beyond some of those I have alluded to. The question is one vitally interesting to our commercial community on many grounds, and it is to be hoped it may not be hastily and lightly

legislated upon, without reference more particularly to its effects upon the currency; in fact it would seem to merit a ventilation and discussion which, in the present aspect of parties it is hardly likely to obtain, unless some special effort be made for its postponement.

The *Economist* newspaper, which is supposed to shadow forth the intentions of the Cabinet on such questions, thus expresses itself on the 29th January last, and says, in reference to partnerships,—“ The alteration we ask for is that of perfect freedom—permit all men to make all kinds of mutual contracts on any terms they like :”—and again, “ the more capital can be withdrawn from unproductive employment, and invested in those productive occupations, the more will the whole community prosper, and the better in the long run will it be for them and all other classes. The change in the law therefore, which, by permitting, encourages this—which removes one fetter more from industry—cannot be otherwise on the whole than beneficial.”

The very fact of the Government seeking powers for permitting, and thus encouraging, a particular mode of trading; seeking to grant a permission which involves an immunity from responsibility (except for the



capital advanced), is, in itself, a startling announcement: and I must confess it is to my mind strangely puzzling, that it should be advocated in a paper hitherto professedly the organ of free trade opinions. It remains to be seen whether this change is a concession to the opinions of a calculated majority of the House of Commons, or whether it is intended to indicate a retrograde step in our commercial policy. I cannot conceive that, under any circumstances, it can be right or politic to try to tempt the working of capital in a weaker and more speculative mode, by subdivision, and by granting its owners, when working in corporate bodies, irresponsibility beyond the amount subscribed.

I cannot see that it can be just so to do, whilst individual capital, working more economically, more efficiently, and therefore more beneficially for the country, is to be held entirely liable, jointly with the complete personal responsibility of its owners. *If Limited Liability is to be conceded*, I conceive it would be just to capital, and to individual owners, that such capital ought to be placed on the same footing as Joint Stock, in fact only liable for its own amount. Let A. B. give notice that he is going to trade with £5,000. in a particular concern, and for that amount only

ought that business to be liable ; thus you would remove all restriction ;—refuse this, and you keep a restriction on individual capital, (*but not on subdivided,*) certainly not compatible with the *Economist's* theory of freedom in partnership. The *Economist* does not mince the matter, and if he speaks from authority, it would be well to inquire if we may expect like freedom of action in other respects. Are those who might think they could see a profit in it, to be allowed to issue one pound notes in payment of wages, upon giving special notice of such contract with their work-people? It would merely be, I conceive, equal to the permission advocated “to make all kinds of mutual contracts in any form the parties like”; or if general freedom be granted, why should not those of us who like it, pay our hands in flour or potatoes? Why should the Truck Act, and its restrictions, be continued? Why should we not be allowed to do as we like, provided we can agree with our own people?

Now as regards truck, may it not be safely affirmed, that it is cheaper for the country that we should have a sound, regulated metallic currency, for the payment of wages, and that it is better both for society, for master and man, that gold and silver should be used rather than meal and potatoes; and is it not much better

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that *all* should be equally dealt with, and that individuals should be prevented, for the general good, from doing exactly as they might like with their potatoes and labour, as well as in partnerships?

My idea of sound Political Economy differs widely from that of some of my friends, whose opinions I should wish to respect, and certainly from the *Economist's* proposition. I say, treat all capital alike (admitting exceptional cases in regard to charters), make it all responsible. You cannot do this, as I have stated, if you absolve one £5,000. because it is merely cut up into shares, and at the same time refuse like immunity because another £5,000. is worked by an individual. Admit both systems, and you hold out a premium to irresponsibility, you encourage a moral cowardice, a shifting of risk, in contest with full fair responsibility; not, at all events, consistent with my ideas of political and economical fairness.

If it be necessary for the State's good that immunity from responsibility should be granted; *if* capital lies wasting, because idle, and the State cannot get cheaply supplied with commodities in consequence, why then private interest ought to yield; but, surely, this ought first to be proved, as well as that associa-

tions possess the power of working and producing cheaper than individuals: surely this ought to be clearly shown before you try to depress and injure individual energy, by giving a premium to associations.

It is with the earnest wish of forcing a full discussion on the various bearings of the question, that I am anxious to obtain support and circulation for the opinions I hold.

EDMUND POTTER.

Manchester, 12th April, 1855.

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A LETTER, &c.

DEAR SIR,

We have discussed the question of Partnership with limited Liability. You ask me to give you my opinions in print, and you refer me to a clever article on the subject, reprinted from the Westminster Review. I will try, then, to state to you as plainly as I can, my opinions on the subject, and on the views expressed in that article. I am the more anxious to do so, as I find that I differ from many of my friends, besides yourself, whose opinions on various economical subjects have hitherto been in accordance with my own, and as I think you and they are jumping to a conclusion, and are anxious to try a dangerous experiment, without a full knowledge of the difficulties you would create, were their views and yours actually carried into practice.

I do not pretend to quote my own experience, during many vicissitudes of trade for thirty years past, as superior to that of many, whose opinions I may nevertheless somewhat freely criticise. I have, however, had the advantage beyond many, of a knowledge of the practical working of trade on a very large scale,

and in a market having at once, (I say this without fear of contradiction) the soundest circulating medium, the simplest contracts, and carrying on the most extensive dealings with the least litigation, and with unsurpassed credit and respectability. Now, if there be any exception to this estimate of mine, any deviation from its high standard during my experience, it will be found to be connected with the early introduction of the Joint Stock system of Banking amongst us.

Previous to the war in which we are now most lamentably engaged, it was matter of congratulation and common remark, that no great leading question remained to embarrass or seriously divide the House of Commons. Education, Legal Reform, Sanitary Measures, as well as this question of limited liability, seemed likely to be soundly and deliberately considered. Now, alas! the only question likely to obtain any decent attention, is the war. The House will be powerless for good on other matters, and the fear to my mind is that, by way of doing something, it may hastily and impulsively do wrong. One such hurtful step it had nearly taken last session, in its evident readiness to decide abruptly on the question we are now discussing.

Few subjects require a calmer and deeper consideration than this; and yet the influence most active and powerful at present in its favour, is obtained through the lighter and more popular productions of the press, acting upon public opinion through its sympathies and feelings, rather than through its judgment. I

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may instance in proof of this a quotation or two from *Chambers' Journal*. I believe the opinions thus advocated to be the result chiefly of a benevolent wish to aid the working classes, under the idea of holding out a premium to forethought and saving; there is, therefore, the greater need that a popular practical exposition on the subject should be brought to bear against the almost unanimous opinion of the press, in order to expose its fallacy. The question ought not to be carried by sympathy, and by appeals to benevolence rather than to economical justice, any more than by what, I think, may be shewn to be practically unsound opinions. These latter may be met and refuted, but the impulsive and more dangerous benevolent, yet really selfish arguments, are not so easily dealt with. I use the word selfish, because I consider *that* benevolence may be so called, which would give a class as it were a privilege to escape from difficulties which ought to be met, like all others, by responsible action. *The Times*, *The Examiner*, *The Manchester Examiner and Times*, *Chambers' Journal*, *Household Words*, *The Westminster Review*, and many other publications, assume that unlimited liability is an unfair restriction, and that a man ought to have the right to trade with his capital, under the avowed intention of sharing *the whole* profit, while only incurring a risk of *partial* loss, upon giving some special notice of this his *left-handed* intention to absolve himself,—and so to make the public liable for the remainder. Space does not allow me to give extracts from all these various opponents

of my own opinions. I will, however, quote, and that pretty freely, from the article reprinted from a late number of the *Westminster Review*,* mainly because it embodies with considerable skill most of the arguments which I consider fallacious.

Before, however, giving my opinion on the article in the *Review*,—your special request—I will venture to refer to a few of the attempts made to gain, by impulsive sympathy, what to my thinking, stern justice and real benevolence ought to oppose.

I find fault, then, with the *manner* in which the supposed claims of the working classes are urged, week after week, in pages of what I consider as mere sentiment, and unsound alike in argument and morality. The diffusion of such opinions would, I think, *tend* to make the workman hopeless and despondent. I do not suppose, however, that they have actually much effect on the working-classes, but they decidedly have on the class above them, by whom Chambers' and Household Words are chiefly read.—They promote dissatisfaction by constantly re-echoing the cry for sympathy, and by craving for laws to promote institutional aids, rather than recommending, as the only safe guides, education, self-reliance, and moral responsibility. Now, no one can value more highly than I do the writings of Chambers and Dickens; the benefit they have already conferred, on many subjects, and their power for good, are incalculable. They furnish a large quantity of original matter;

* *Partnership with Limited Liability.*—Jno. Chapman, London.

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besides selections, generally sound and instructive, brief, and adapted to the weekly space they have to fill; such articles are eminently useful for the daily and weekly papers, *suited for the scissors*, and consequently find a ready and widely-extended circulation. Most of us are more ready to accept our opinions on political economy, for instance, ready cut and dried, and decided for us, than we are to work out, by our own thinking, questions of right and responsibility. Hence it is, I suppose, that the feelings and opinions of so many have been worked upon as regards this question; it has been repeatedly enunciated, that limited liability would specially benefit the working classes, and others of narrow means, whereas those above them are supposed to need neither sympathy nor aid—or to be capable of *self*-protection.

Public opinion is easily led to the supposition that the better-doing class has more than its share, and ought, somehow or other, to be restricted or weighted, under the vague idea, that if it were to realize less, the working classes would earn more. As an example, take the following extract from an article in Chambers', published in May last, entitled, "Social Polarisation." This extract occurs in an article on the death of Mr. Justice Talfourd. It is, I admit, full of kind and generous feeling, but calculated to create what I deem an unsound and mischievous, because a clearly despondent feeling, in the mind of the working man.

"The fact undoubtedly is, that some men rise from the condition

of operatives into that of masters, for some of our greatest manufacturers are known to have been originally working-men. It is a possibility for some singularly constituted and happily circumstanced men thus to rise ; but it is not sufficiently easy to do so, and the examples do not tell upon the multitude. Once a man has fairly got into the capitalled and employing position, he obtains the benefit of that gale of antagonism, which continually works to the making the master's little more, and if he possess real prudence and self-command, he probably ends in wealth. But below that point, there is continually blowing an equally powerful gale in the contrary direction. The ultimate divarication is startling. We contemplate at this moment a family of clever, prudent men, who have risen from a lowly sphere to enormous wealth, and are now planting themselves in the superb halls and broad estates of the ancient gentry, while the armies of their workmen are generally so devoid of any tendency to make an economical use of their gains, that it is thought to be a real, though negative benefit to them, to be called upon to purchase the necessaries of life from stores established by their masters—establishments which, in themselves, yield the masters a handsome income. It is not merely a separation of conditions and sympathies which we have to deplore, but a constantly widening distinction in intellect, force of character, and morals. The masters, merely as human beings, become colossi ; the men are dwarfed. And how is it to be wondered at, when the former see every day how additional capital and additional character are the means of improving fortune, while the latter have neither any immediate use for saved money, nor any reason to think that their morals will in the smallest degree affect their prospects ? ”

Now what should be the moral of the example of the masters who have so risen ; surely not that “ the raising society at one end depresses it at the other. ” — I therefore dissent from the conclusion come to by the author of the article.

“ No nostrums, we suspect, though facilities for small joint-stock

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concerns among operatives may be admitted to be a hopeful means of somewhat correcting that reckless frame of mind in which so much of the evil subsists. The thing, to all appearance, will go on, on, on, perhaps with some occasional checking and correction, but on the whole stretching the paradox wider and wider, till either it cracks in terrific confusion, or some great prophet arises to give mankind a new direction and a better destiny."

The only hopes suggested are joint-stock concerns, and the chance of some great prophet arising, to give the people a new direction and a better destiny.

I feel confident that sentiments like these, repeated in various publications, have powerfully swelled the cry for privileges to the working classes, in the shape of non-responsibility, and have only helped to generate an antagonism to the master, as if there had been some step or point in his progress, where he left his caste, and became an opponent, to keep down those whom he had quitted. How different the tone and moral of the following extract from the "Times" of December 10th, 1853!

"Let each man cease to recognise any insurmountable distinction between his employer and himself, and he may be assured that he will soon cease to think of the rights of labour in the interest of his increasing capital, and will leave the exhortations of orators, to feel a deeper excitement in ambition, and a warmer zeal in hope. A few only, indeed, might achieve greatness, but all would feel the benefit of attempting it. As it is, want of ambition is a great obstacle to the elevation of the working class. An acquaintance with physical comfort, and a determination to have it, insure some degree of exertion, but it is only that of routine; the qualities necessary for great successes,—enterprise, and self-denial—are comparatively unknown. The idea which the workman attaches to the term 'labour' is a proof

how confined are the notions entertained by his class. He expects great rewards for the performance of mere manual toil, requiring little thought and no invention. The higher qualities of the master's exertions, the enterprise, the originality, the imagination, go for nothing. This, perhaps, may be expected from the great division of labour, which, if it produces vast effects, often deteriorates its instruments. The man has been all his life a part of a great machine, a sort of human spoke or winch; and he cannot be expected to have much conception of the laws which regulate the rewards of exertion, or to know that the difference between success and poverty is the difference between originality and routine. The comforts of life are to be attained only by the exercise of qualities which all have not. The true reward is given to each man under the present system, and to quarrel with it is to question and defy laws which are unchangeable. The workman knows of himself that there are various kinds of labour, of value widely different, although the absolute toil may be the same. Employments may be agreeable, or the contrary; they may be permanent, or liable to interruption; they may be difficult or expensive, requiring a long apprenticeship and a considerable outlay; they may involve responsibility; success in some may be uncertain, health in others may be endangered; some may require activity and quickness, others taste and judgment. In all these, the relative value is determined by the rarity of the faculties required, and by the wants of society; and it should be the great endeavour of the workman to acquire that kind of labour which is most in demand—a course of proceeding similar to that of the manufacturer, who anticipates the wants and studies the tastes of his customers, and does not continue the production of what was fashionable twenty years back, and then declaim against society for declining to purchase what it does not want. It is the chief use of education to the workman, to teach him what kind of labour it will be best for him to have to offer, and where he may dispose of it to advantage. Ignorant populations are always on the brink of misery; for not only is their unskilled labour almost worthless, but they are ignorant of where it is in request, and have not knowledge or self-dependence enough to shift their abode, and offer it where the price

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would be remunerative. Let the operatives apply the laws which regulate the difference of their own wages to the case of their masters, and they will generally find that the remuneration which he receives is not more than skill, enterprise, and the risk of invested capital will justify."

Without dwelling further on what I believe to be the fact,—that the public mind has been led much farther by feeling than judgment,—I will now try to examine, somewhat in detail, the arguments of your friend in the Westminster Review. He refers to "the mind wandering over the catalogue of the various forms of association, which are recognized in this country."—I think we need only confine our arguments to two forms of Partnership, limited and unlimited, responsible and non-responsible. My idea of Partnership is, that it means a union of capital with labour as a means of profit, and that it involves unlimited pecuniary and moral responsibility. The Partnership asked for with limited liability, is sought as a means of profit *without* pecuniary and moral responsibility, except to a limited degree, viz:—the amount of the capital embarked. I do not find that this limited liability is sought to be extended to all capitals. Two individuals are not to act together as partners, one being responsible, and the other not; but it is asked that, in a firm wielding the same capital, two partners alone should be responsible, and that all the others should be limited in their risk to the amount each has advanced, nay, that they should even share the full profit.

The Reviewer, speaking of the laws of partnership, (page 8) says,

"The perplexing diversities of the law affecting different associations, are undoubtedly impediments to commercial pursuits, but they are far less mischievous and restrictive of commercial activity than a vicious principle, or the vicious application of a good one. And the one or the other is to be found in the doctrine of unlimited liability, which prevails in the law of partnership. Its influence in such a country as this is so important, that public attention cannot be too earnestly directed to it. It seems, indeed, almost marvellous, that commerce should have been successfully carried on under a law so discouraging to its prosecution; and, still more, that a nation so hampered should have attained to that material prosperity which England has reached. The secret of its success, however, lies partly in that indomitable spirit which has enabled its people to triumph over even more formidable obstacles than defective institutions, but still more in the frequent invasions which have been made upon the law. Had this been inflexibly maintained in all its integrity, either the country would not now possess many of those sources of wealth which it now enjoys, or some indirect means of undermining the law must have been resorted to, in order to meet the requirements of society—possibly by the machinery of some *imperium in imperio*, like the Court of Chancery, which sprang out of the necessity of bending the feudal law to the wants of a later age."

I will not as yet discuss the benefit of Joint-stock Companies, and the good they are said to have done to society, but I would ask whether the high *moral* character of all our commercial transactions, together with the securities of our industry and prudence, in fact the complete responsibility, moral and pecuniary, of our commercial men to each other and the world, have not had a most potent influence on our success?



Now it would be the last argument I would use against all change, that a majority of us had done well, and that therefore we had better let well alone. There are millions amongst us far, below the standard of comfort and education which you and I would wish them to attain to. But I hold the opinion, that we owe the progress of the last twenty-four years entirely to that sound legislation, which began with the Reform Bill, (or perhaps Peel's Currency Bill) and ended with Mr. Gladstone's last measures; at all events we have speeded fast enough, to *glut*, temporarily, I believe, every known market with our cottons and woollens. The Reviewer says, (page 12),

"The consequences of this state of the law have been proved by a multitude of competent, honest, and disinterested witnesses, to be very injurious to several classes of the community."

First in reference to the working classes, (page 18,) he observes,

"Upon the working classes the law bears quite as hardly. The capitalist may reasonably complain of being driven to less profitable investments;—the clerk may justly grumble against a system which deprives him of the means of advancement;—but the labouring man is surely entitled to curse a law which not only defeats schemes undertaken by the wealthy for his improvement and comfort, and checks the demand for his labour, by impeding the formation of associations among the rich, but renders it impossible for him to apply his own humble savings in a manner which will not only bring him commercial profit, but will tend to improve his individual character, and elevate his social position. This plain right is fully enjoyed in America."

I reserve my opinion as to America for a future page.

Now as regards the law which prevents partnerships, (except with charters or acts of parliament,) of limited responsibility, and which the Reviewer thinks the working-man is entitled to curse, we will suppose the working-man, in this case, to mean one who has weekly wages, who is thrifty and accumulates, and thinks himself injured in not being allowed to carry on, for instance, a cotton factory, with the privilege of exemption from any loss beyond the money-capital he puts into it. He asks a privilege not to be allowed to the private trader. Take his case,—he is a cotton spinner, with a mill, and £5,000. capital; he is legally responsible with his entire property, for all his debts and transactions. We will suppose him to employ 100 hands:—well, 50 of these hands, *whilst in his employ*, with their savings, or such amounts as they can persuade their neighbours to contribute, raise £5,000. Suppose the law to be altered, and limited liability granted, and that they—seeking to work a mill of equal power with that of their employer,—find, to conduct the concern, a managing partner or two, who need hold only a very small share of the capital, perhaps only one-fiftieth. These are the only two fully liable with all their property, if they have any beyond their share. They are paid by salary, and a proportionate share of the profits. Now if their master have a million beyond his £5,000. capital, he is liable for every penny of it. But if the shareholders get a man or two of capital amongst them, and *their* property altogether be a million, they are not



liable for one penny beyond the paid-up capital of £5,000. and what may belong to the conductors. I may ask, if it be a hardship to their master to be subjected to so manifestly unfair a competition of capital from his own servants, aided by capitalists, is it not degrading for the men and others to seek so unfair a privilege? Nay, if such a privilege were granted, would there be any semblance of unfairness in a master requiring from his hands an undertaking that he had their entire services, and that they had no opposing interests to which his experience and trade customs were to be devoted.

But supposing that Joint-stock concerns, with this limited liability, *were* legalized, does any one with practical experience on the subject suppose, that with the rate of profit obtained under the present competition in the cotton trade, any concern could pay with the inferior management of a Joint-stock company, seeing that it has to compete with the better worked private establishment. I venture to affirm as a fact, that an increased extension of Joint-stock management, more particularly in small establishments, would render them valueless as an investment. For instance, if the advocates of limited liability mean anything, they mean to increase the competition in trade—the cotton trade, if you will. They build two mills where we have now one, to double production—they want to use the dormant capital more actively—they want a better rate of interest for it. Surely greater production would increase the competition.

Could the new, inexperienced Joint-stock company, keep pace with the establishment of the individual master-employer?—would both pay?—would either?—are rather solemn questions. The one has the paid-for working experience which time only can realize; the Joint-stock company has it to purchase. Now all this gaining of experience, and its consequent cost, would fall mainly upon the shareholders to the extent of their capital, (which some of us might not think unfair,) but *beyond this* the country must pay for the loss on their experiments. Is, then, a forced and more rapid development of production desirable, carrying as it would along with it a reduction in the rate of profit, and involving an increased expenditure of capital, and a reduction of wages? Truly, the workman's curse, if not the country's, would be most likely to fall on those who suggested to him to ask for a profit, without earning it by fair and honest responsibility.

We are told that limited liability is specially asked for, in order to induce the working-classes to save, by providing them with a profitable means of investment. Now, with some knowledge of the working-classes, I would venture to affirm that it is not the question of liability which deters them from saving, and making experiments in trade. They have long tried a variety of schemes—co-operation stores, clubs of all sorts, building and other associations, which have not answered; why then should schemes of a bolder kind, more doubtful because bolder, answer, with the infinitely

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greater competition of limited liability, and infinitely less moral responsibility? The excitement and interest of commercial adventure would not, I believe, lead them to save. The saving man amongst the working-classes is prudent and thrifty; and the hard shilling or two per week, saved with difficulty, would not be entrusted to a mere learner of the business that he hopes to profit by, and would not be advanced to meet the competition of the more cheaply-worked, because private establishment. It is a fallacy to suppose that limited liability could benefit the small working-class capitalist; it would lead him into error. The larger capitalist has infinitely more knowledge, earned by the experience by which he has gained his means—he would take all the best and safest investments, and leave his less able and less informed competitors with the worst.

You know me to be the earnest advocate of education: I wish every working man so educated as to understand his own position, to be ambitious to improve, to know that brain and industry alone can aid him, and to feel that his reward must be apportioned to his talent, that so he might acquire an interest in his labour. It appears to me that it is the want of a correct knowledge of their true interest and rights, which prevents the working class feeling a proper interest in their employment, and which so far unfits them for working together in any joint-stock partnership. They cannot measure their own relative value. Neither a domestic household nor a mill can

answer, conducted as a republic; but that mutual respect and kindly feeling which are the growth of the first, may spring up and bear fruit in the management of the second.

Pursuing, then, briefly, the question of the practicability of profitably working Joint-stock establishments by the working classes, nothing can be more absurd to the thought of parties like myself, than the idea of conducting any concern, where the workers are all, or in great part, partners or shareholders. Instead of the theory that each has an interest working for good to all, a feeling of jealousy would be created; each would regard his fellow-workman with a master's eye, measuring the quantity and quality of his work, constantly sitting in judgment on his neighbour's value as a workman, with little benefit truly to his own producing power. In fact, suspicious watchfulness would interrupt that continuous industry which the master now takes care to insure, and which, in fact, a master only *can* secure or estimate. A workman ought to have no other care than the simple discharge of the duties named in his contract; if he fulfils these honestly, he performs his duty to himself and his employer. I believe that the substitution of Joint-stock working amongst hands, (supposing it at all practicable) with its jealousies and consultations, and the want of a ruling, decisive power, to meet questions hourly arising, would be a ten-fold greater mischief even than the evils of strikes, to the hands themselves. They, wanting knowledge,—



a want not to be supplied, except by a very slow process, as it were, the work of a generation,—would be influenced by feeling, led by others below the average even of themselves in real worth, in a contest with practised and successful individual energy.

You will tell me these difficulties would be smoothed, —would be provided for by law, by rules and regulations, arbitrary and binding on the partners,—you will not say they would be *simplified*. Only fancy the rules for working Joint-stock companies with capitals of from £50. to £5000., varying to suit various trades. Why the very necessity for such laws, their voluminousness, and the endless life-long squabbles inseparable from the interpretation of them,—all this, and their various measures of responsibility, would be quite enough to destroy at once the even working of one half the trade. No wonder lawyers hail the prospect of a change in our partnership laws! The opinions given by them in reply to the queries of the Mercantile Law Commissioners, were 20 in favour of limited liability, and 3 only in opposition to it.

Examining further the question as regards the working classes, I take an opposite extract from the Reviewer, (page 35,)

“The country is already enterprising enough, suggests Mr. J. A. Smith; the proposed change would encourage speculations, and present a temptation to the working classes to engage in trade. ‘It would induce parties,’ says Mr. Cotton, ‘to advance their money without due caution for speculative schemes and speculative businesses.’ ‘It seems to me,’ says Mr. B. Kerr, ‘that commercial undertakings would be the very worst mode in which the capital of the

middle and working classes could be invested;' and he elsewhere expresses a strong objection to 'letting loose a new element of fraud and reckless speculation, and to allow it to be introduced in small doses, so as to fit the means of the humble.' "

My experience leads me fully to concur in *these* opinions, and I believe that if the present working of the various clubs of all sorts, Joint-stocks, &c., could be laid open, it would exhibit,—as almost every country attorney or county magistrate can attest from the experience he has obtained,—such an insight into their conduct or management, as would prove that an irresistible temptation to fraud is always held out, when parties are entrusted with capital beyond what they have been accustomed to, and which they have neither the moral responsibility nor education to cope with.

Small Joint-stocks, then, amongst the working classes, would open the door, as Mr. Bellenden Kerr observes most justly, "to new elements of fraud and reckless speculation in small doses, so as to fit the means of the humble."

Mr. Slaney, late M. P. for Shrewsbury, whose benevolent intentions with regard to the working classes during a long period none can doubt, says in the *Mercantile Law Report* on the law of partnership, "Many people, especially workmen, believe capitalists, by their virtual monopoly, make too large profits, and that workmen's wages are too low: hence strikes and much distress. The truth of this opinion can only be tested by experiments with combined capital, the ex-

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perience derived from such trials, peaceably conducted, would be valuable to all, correct mistakes, and lessen discontent." Now, to my mind, this brief opinion bears with it a wrong inference, and suggests an unsound mode of testing the question. Why not inquire into the fact, as to the existence of a virtual monopoly? The capitalist who has worked his way up to his position by intelligence and industry, found no monopoly to bar his progress; difficulties he met with and surmounted; he was paid for *his* labour, step by step in his upward progress, at its current value; and when in his turn, *he* became a purchaser, he paid those following him up the ladder on the same terms. To my thinking, there is no restriction here, and how the term monopoly could be applied to it I never could conceive. I know nothing which more readily tends to create discontent and despondency, than this constant hinting that the rewards of successful industry and capital are too large, and ought to be divided on some socialistic principle. The remedy suggested, "that experiments with combined capital should be tried, which would be valuable to all, correct mistakes and lessen discontent," ought to my mind to be made at the cost and full liability of those making them—not at the risk of the community, for the profit of a company securing themselves by limited liability. The very term "experiments," suggests the speculative character of the expedient to be tried;—such experiments must damage the steady, responsible trader.

For the opinion of the operatives, and the class of

experiments they might try, take the following extract from the Review, page 61.—

“The operatives have learned from the middle class what vast works may be accomplished, and what countless wealth may be acquired, by combination; and as the laws surround every healthy plan of co-operation with danger and difficulty, they believe that they can carry into effect among themselves the joint-stock principle, only by the realization of the fantastic, the mischievous, the impossible designs of dreamers and fanatics.”

The Reviewer quotes frequently from a pamphlet by Mr. Field, in support of limited liability. * That gentleman's opinions seem to spring from kind feelings towards the working-class, and are combined with much legal research on the subject, but, (if I may be allowed the remark,) with curious economical opinions, and with very little practical knowledge of the probable working of Joint-stock companies, such as he advocates. He puts faith in legislation. I have admitted how much we owe to expansive legislation, to the removal of monopolies—real monopolies—privileges without responsibility, held by classes. He, like myself, has aided in these measures, and they have certainly worked to the attaining of freedom, but in no case to the attainment of it without responsibility. I cannot conceive of the soundness of any measures which take away this; my object would be to give the largest possible increase of knowledge—to promote cheap-

* “Observations of a Solicitor on the Right of the Public to form Limited Liability Partnerships, &c.” by Edwd. Wilkins Field.



ness and comfort,—but *never* to admit limited liability, moral or pecuniary, except in classes without the pale of society, and within the custody of the law.

Mr. Field says, "A fragment of truth I believe to form the nucleus of all the co-operation, socialistic, and Fourier theories; and to be the real spirit of vitality in our workmen's strikes and their trade unions; and I believe that this spirit is to be extended only by true legislation on the subject between us." Now the legislation, as far as I can gather from the pamphlet itself, seems to me to consist in the claim for limited liability, as something due to the workman—as a privilege and protection for his weakness. "I have," says he, "claimed freedom of action and combination for the small capitalist against the great one, as a matter of right and justice." Mr. Field infers injustice, natural injustice on the part of the large capitalist: neither he, nor any other of the numerous supporters of the small capitalist, adduces any facts to shew, at what point of capitalization this power of injustice, or feeling of antagonism commences. Does it begin with the nailmaker capitalist, who employs one journeyman and an apprentice? or with the farmer capitalist who employs ten labourers, or with the cotton-spinner who employs a hundred hands, or with the iron-master who employs a thousand? I have had long practical experience on this subject, which I believe neither Mr. Field nor the Reviewer has had, and I must confess I cannot remember realising in any position of life, the idea that there existed

any antagonistic bar to progress, created by capital. One experience always remained strongly impressed on my mind,—that knowledge and perseverance alone could give power; and this conviction I have ever found strongest in the minds of those whom you and I most respect for their talents and benevolence, amongst our trading community.

I have given you my idea of the impracticability of the working of Joint-stock Companies by the operative classes; and you will admit that if unsuccessful, it would hardly increase harmony between the classes.

I would next consider the benefits affirmed as likely to result to the classes above the workman, by the privilege they would obtain by gaining modes of investment with a better rate of interest. Why, the very announcement that a Bill for allowing partnerships with limited liability had passed the House of Commons, and that it was intended to raise the value of money, and rate of interest, by offering such inducements for trading, would cause just such an excitement in every quiet country town, as the railway fever did a few years ago, and would create a much greater amount of misery, by the forced extension of every trade, from brewing and baking to ship-building, &c., besides the creation of numbers of trades no rational responsible capitalist would now dream of. One of the writers in favour of limited liability* ascribes the mischiefs of railway speculation, to the want of power to extend it to other classes of trades. The fever

* Lord Hobart.

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might not have raged so high in railways, but one more epidemic, and more disastrous, would have spread over the face of the land, and it is the prospect of such a disease that this promised limited liability holds out to my mind. Bear with me while I draw a picture of what might be its operation in a single well-doing and prosperous town. I will not take an imaginary town like *Coketown*, but we will take Burton for instance. I shall not be considered personal, because I do not know a single individual therein.

Some fine morning, then, the news reaches Burton, that they who like may establish a brewery on the limited liability principle, for the compounding of ale as good as Bass's or Allsop's, and that they may try to do this, if they can, with no other risk than the loss of a few ten-pound shares, and with visions of profit to the full extent of what they suppose Messrs. Bass and Allsop to realize. Well, no doubt, Burton has some clever attorney, a young man not overdone with practice, who has an eye to his own interest. He draws up a prospectus—capital so much—profit so much per cent.,—*risk, loss of share only*,—(*non-liability* will be printed in very large type). He finds a chairman, a man of high character, a land-owner with perhaps no capital to spare, but who may have land and water to dispose of on very liberal terms. These latter have been *secured*, subject to the approbation, of course, of the Provisional Directors. Our attorney looks out for a Secretary and a Manager, well skilled, no doubt. Perhaps their recommendations

may be, that they have filled some situation with one of the successful firms, and therefore must be well qualified to produce, with the aid of improved machinery, &c. &c., far better and cheaper ales. Then follows the allotment of shares, for which applications are to be made to the secretary, a few having been granted and a few reserved, &c. If these applications alone, such as they would be, could be laid open, published, thought and moralised upon, they would present such a picture of infatuation on one side the glass, and of deep misery, wretchedness, and destitution on the other, as their natural result, as would scare the advocates of limited liability from ever again dreaming of trying to persuade themselves and others, that there was a royal road to profit, any more than to learning. Fancy some of these applications. First, the widow with narrow income, arising from a good mortgage, living quietly and respectably, wishes to mend her income. She risks what she can ill afford. Surely if Mr. Bass has made such profit, she shall, now that this law has come into force, she modestly prays, get ten per cent. for her money; she applies for shares, and gives up her solid security. Next comes the clergyman, or schoolmaster, or the doctor with his hard earnings,—goodness knows generally hardly enough obtained,—the homely, unambitious, and virtuous course of whose lives, has perhaps not hitherto given them much of that talent most fitted, in this competitive world, to secure wealth. However, they are confiding and hopeful; they see

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what Messrs. Bass and Allsop have done—they have enjoyed the ale as most of us have, and have every confidence that the new Brewery will convey an equal amount of comfort to themselves and the world at large. Another class of applicants would still remain, viz., the shopkeeping class:—they, as in the great railway fever, would be found to furnish capital, not their own perhaps, but drawn from the credit obtained by them in their legitimate business,—and thus a double mischief would ensue,—they would cripple a trade wherein they had perhaps a prosperous establishment, to start a new one of more than questionable risk. We suppose, then, the share list made up; the brewery built—largely and expensively—handsomely, and with every convenience.—But all this *preparation is before demand*, and the working experience (always expensive) having to be gained, the article first made will naturally be inferior, *much inferior*, to Bass and Co's.—It must therefore be sold cheap, sweet or sour; and credit and every artifice tried to force it into consumption. Well, the Company struggles on,—loss succeeds loss inevitably,—managers, directors, interest, rents, and I was going to say dividends, must be paid. The latter would be paid, perhaps, to keep up the price of *shares*, hope, and temper, and must come out of capital. Depreciation of works, anything and everything would be postponed for this purpose—*self-deception* would supersede the honest decision a private individual uses in his own concern, and a very few years would show

our Brewery at a discount of 50, 60, or 70 per cent. One point we have slightly touched upon; supposing the beer to be pretty fair, and the experience moderately gained—where is the demand to come from, unless stimulated by lower prices? Were there consumption for more beer at a profit, would not Bass and others, with their means and experience, see it and provide for it first? *Perhaps they have done so?* But the picture I have drawn is hardly complete; would not the very fact of one Brewery apparently answering at Burton tempt a few more Companies?—nay, it is hardly likely that if money were found so easily to pay attorneys, managers, &c., that opposing members of the same class would not unite to share the profits of a rival Brewery or two. This would be the inevitable and immediate result,—every body in Burton,—shopkeepers, landowners, labourers—every class would, by excitement and expenditure, apparently grow rich *upon the prospects*. Bass and Co., Allsop and Co., and the private brewers alone would be thoughtful, and they would be most seriously injured. The result would be millions of gallons of ale brewed, extra, and for whom?—hardly for Bass and Co's. customers, they are supplied,—for new markets, new customers, *to be found*. Well, here the dream would end, and the misery begin—the farce of supply before demand would be turned into a tragedy, and the ignorant and thoughtless, though hopeful and respectable class I have alluded to as shareholders, would learn that the tempting capital into a channel already naturally full—can only entail

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a loss, which the new comers must bear the most heavily.

Task your own recollection of the railway fever—where there *was* the *bar* of getting an Act,—the wholesome process of a Parliamentary Committee, with, perhaps, the salutary restriction of cost,—and say, if my picture is overdrawn. Why, it would spread like contagion over the land, its very madness recreative in power. It would raise the prices of shares in every absurd scheme floated by the class of speculators, who had never succeeded by the honest, practical application of their talent, in sober competition. Stoke would have a dozen new potteries; Nottingham and Leicester would double their preparations for lace and stockings; Coventry for ribbons. The Iron and the Cotton Trade would be the least touched, because I think in these districts that there is a more general knowledge of business, and a clearer insight into the difficulties of sale. But every wealthy, intelligent, hard-working capitalist in the kingdom, who had been successful by the honest and responsible application of his talents and capital, and been justly rewarded by success, would have his trade competed for by Joint Stock Companies, of the class I have suggested. He could keep his ground against a fair competition,—is not that competition sufficient now to keep his profits from being excessive, and to secure the community a cheap supply?

Now, who would benefit by this unwholesome competition? Clearly not the competing shareholders of

the present generation. Would the country profit by the wholesale loss which the increase of establishments would cause? The railroad fever caused a rapid expenditure of 300 millions of capital. Limited liability, if granted, would create a similar impulsive madness, with, I believe, a similar result of loss, without the benefit. And yet this wreck of property is not to be compared to the moral evil that would be produced by the measure, with the loss to the country, probably, of one third; for the two thirds are perhaps as much as the railways are now worth. They were, however, a supply of a new power, creating its own demand.

It would seem almost needless to canvass the claims of other classes to limited liability, but one or two appeals are made in the Westminster Review,—in behalf of classes really sufficiently well educated and placed to be fully able to attend most faithfully to their own interests, to compete in the open field manfully and safely,—which require noticing.

One naturally shrinks from repressing a kind, charitable feeling, and I may appear to do so, in urging what are often named cold-blooded economical doctrines; but I believe the truest humanity and kindness exists in the most perfect assertion of right,—in fact, of justice to all parties.

I quote from the Westminster, (page 15,) a proposition by the late G. R. Porter.

“ If, in place of simply lending money to a trading concern, to receive a fixed rate of interest, the law allowed of the embarking of

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any given sum in the same as a partner, drawing a proportionate share of the gains, it is scarcely to be doubted that many would do so. And it would not be simply with the object of gain to himself that a man would do this, although doubtless that object would be a leading one. He would often be desirous of combining with his own gain the probable success in life of some relative or friend, in whose ability and character he might see reason to place confidence, and over whose conduct in life he would thus acquire a right and motive for watching."

Now if there ever was a man who could, by his benevolence of heart, allied to clearness of intellect, give warmth to a cold economical doctrine, it was the friend whose words I quote; and yet Mr. Porter seems to me to place the weight of friendship and kindness, as the secondary influence, and the one he would have been the last to admit to the injury of the general weal. The question to my mind should be, has the capitalist any claim for protection in the enjoyment of his benevolence? Whilst secure from risk, and taking the chance of profit, surely the benevolence of the friend would exhibit itself most nobly in being content with five per cent. Such instances are not rare; few there are that have struggled upwards in life, with good moral reputation, that would not admit how much they have owed to such help, and make, at the same time, the acknowledgment, that they had found friends content with simple interest.

One more rather lengthy extract from the *Westminster*, on the point we are specially considering, viz.: the benefit to clerks, inventors, and others of that class.

“ In dealing with the evil consequences of the existing law, we have incidentally noticed many of the advantages which might be expected to result from the introduction of the system of limited liability into our law. It is obvious that capitalists would be benefited by it, as it would enlarge the field for the employment of money. But those who would chiefly profit by it are, undoubtedly, clerks, junior partners, inventors, poor relations, needy friends and dependents, and others, whom rich men, influenced by mixed motives of self-interest and kindness, would readily assist when they knew that they might do so with effect to the objects of their friendly interest, and without unfathomable risk to themselves. Mr. J. S. Mill, after assenting to the proposition that the system if introduced with proper regulations and safeguards, would give additional facilities for enterprises directed by intelligence, and create additional facilities for the investments of the middle and working classes, adds ; ‘ Above all, which is very important, it would enable personal qualities to obtain in a greater degree than they can now, the advantages which the use and aid of capital affords. It would enable persons of recognised integrity and capacity for business to obtain credit, and to share more freely in the advantages which are now confined in a great degree to those who have capital of their own.’ ‘ It encourages industrious habits,’ says Mr. Leone Levi, ‘ and besides, it contributes to maintain a floating capital.’ Mr. Townsend, with whom Mr. Davies appears to agree, thinks that it has a tendency to check rash speculation, and to facilitate useful and cautious enterprise. ‘ I think,’ says Mr. James Stewart, ‘ it would be the means of bringing together two great classes, the class which has capital, of which we know there is a very great superabundance in this country, and the class which consists of active, clever, and enterprising men who have not always capital. I think an alteration of the law in this respect would have a beneficial effect in bringing those two classes together.”

“ It would be the means of bringing together,” says Mr. Stewart, “ two great classes, the class which has

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capital, of which we know there is a very great superabundance in this country, and the class which consists of active, clever, and enterprising men, who have not always capital." The simple answer to this, it would appear to me, to be a very plain inquiry. Would not these two classes, not ignorant of each other's wants and objects, speedily associate together, if there was a *demand for the products of such union*? The already established trader will not submit without a struggle for his ground, is it likely there will be an increased demand sufficient to pay for both capitals? And is it for the general welfare that this extension of trade should be so tempted? for if limited liability carries a profit with it, you inevitably force all capital into that mode of trade.

The Reviewer says, "it would enlarge the field for the employment of money." Surely this is unsound—if the mere bringing of capital and talent together would enlarge the field,—how is it that capital is so cheap? Why is money lent at three, four, or five per cent.? I refer to the period previous to the war, and such a period as would occur again, if we were at peace, and again prosperous. Why, with capital, experience, and knowledge ready at hand, do not our manufacturing capitalists double or treble their production? My reply would be because they know it will not pay so to do, because they do not anticipate demand, they meet it cautiously, rather than reduce profit to loss by over-supplying,—in fact, they are *responsible and prudent*. If, as is supposed and infer-

red, the mere expansion of trade brought profit, that expansion might immediately take place simply by a return to an enlarged paper currency, the issue of *one pound notes* ;—do the advocates of limited liability mean or wish that? One fact is certain, and to my mind a most suspicious fact it is, that the doctrine of limited liability will have the entire support of all the paper-currency school, as a step towards their opinions. Depend upon it, that next to the benevolent class, whom I have referred to in my first pages, with a view to show that their kindness of heart had outrun their economical prudence, the most earnest supporters of limited liability would be the party formerly led by the Birmingham School.

You will infer that I do not think the limited liability scheme would conduce to cheapness generally; far from it (except by the misery and immediate loss it would occasion by forcing an over-supply.) Let us test a few of the arguments set forth in favour of limited liability on economical grounds; and here I cannot help being struck with the very slight attempt the Reviewer makes to produce such arguments in its favour. He shelters himself under a long extract, from a high authority certainly, containing in my opinion, some of the strangest *practical* advice, as to a mode of economical working, I have ever met with.

“But the impolicy of the present law in an economical point of view, is quite as striking as its injustice. This was admirably shown by Mr. J. Stuart Mill, in his evidence before the committee of 1850:—

‘I think,’ says Mr. Mill, ‘there is no way in which the working

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classes can make so beneficial a use of their savings, both to themselves and to society, as by the formation of associations to carry on the business with which they are acquainted, and in which they are themselves engaged as workpeople, provided always that experience should show that these associations can keep together. If the experiment should succeed, I think there is much more advantage to be gained to the working classes by this than by any other mode of investing their savings. I do not speak of political or social considerations, but in a purely economical sense. When it has happened to any one—as it must have happened to most people—to have inquired, or to have known in particular cases, what portion of the price paid at a shop for an article really goes to the person who made it, and forms his remuneration, I think any one who has had occasion to make inquiries into that fact, must often have been astonished to find how small it is, and how much less a proportion the remuneration of the real labourer bears to the whole price, than would be supposed beforehand; and it is of great importance to consider what is the cause of this. Now, one thing is very important to remember in itself, and it is important that the working classes should be aware of it; and that is, that this does not arise from the extravagant remuneration of capital. Capital, when the security is good, can be borrowed in any quantity at little more than three per cent.; and I imagine there is no co-operative association of working people who would find it their interest to allow less than that remuneration, as an inducement to any of their members, who, instead of consuming their share of the proceeds, might choose to save it, and add it to the capital of the association. Therefore, it is not from the remuneration of capital that the evil proceeds. I think it proceeds from two causes—one of them (which does not fall strictly within the limits of the inquiry which the committee is carrying on) is the very great, I may say, extravagant portion of the whole produce of the community, that now goes to mere distributors; the immense amount that is taken up by the different classes of dealers, and especially by retailers. Competition, no doubt, has some tendency to reduce this rate of remuneration; still I am afraid that, in most cases, looking at it on the whole, the effect of

competition is, as in the case of the fees of professional people, rather to divide the amount among a larger number, and so diminish the share of each, than to lower the scale of what is obtained by the class generally. Another cause, more immediately connected with the present inquiry, is the difference between interest, which is low, and profits, which are high. Writers have very often set down all which is not interest, all that portion of profit which is in excess of interest, as the wages of superintendence, as Adam Smith terms it, and, in one point of view, it is properly called so. But then it should be added, that the wages of the labour of superintendence are not regulated like other wages, by demand and supply, but are in reality the subject of a sort of monopoly; because the management of the capital is a thing which no person can command except the person who has capital of his own; and therefore he is able, if he has a large capital, to obtain, in addition to interest, often a very large profit, for one-tenth part of which he could, and very often does, engage the services of some competent person to transact the whole of the labour of management, which would otherwise devolve upon himself. I do not say that this is unjust in the present state of society, for it is a necessary consequence of the law of property, and must exist while that law exists in its present form. But it is very natural that the working classes should wish to try whether they could not contrive to get this portion of the produce of their labour for themselves, so that the whole of the proceeds of an enterprise in which they were engaged might be theirs, after deducting the real remuneration of the capital they may require from others, which we know does not in general, when the security is good, much exceed three per cent. This seems to be an extremely legitimate purpose on the part of the working classes, and one that it would be desirable to carry out if it could be effected; so that the enterprises in which they would be engaged would not be conducted, as they are now, by a capitalist, hiring labourers as he wants them, but by the labourers themselves, mental as well as manual, hiring the capital they require, at the market rate."

Assuredly no one will disagree with Mr. Mill, as to

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the extreme desirableness of working men "forming associations to carry on businesses with which they acquainted," if both are to be *responsible* for their enterprises—but why seek for a privilege which shall lower the moral standard, I have asked before? Now really if Mr. Mill's opinions mean anything, they appear to me to evince a desire to alter, by some undefined mode, the rate of distributed remuneration of different classes in society; to take part from the workers with brain, and give to the manual labourer (Mr. Mill's *real* labourer, I presume) something he does not now earn, after deducting the real remuneration of the capital he may have borrowed from others, "which" he says, "we know does not in general, when the security is good, much exceed three per cent." Truly, if the capitalist was to lend money to the real workers, who are to swamp one or two of these classes furnishing the brains, in the hope of being paid for that class of work, he would want I fancy some better security than even limited liability would afford. Perfectly legitimate the proposal, *if the capital can be found*,—liable to all the consequences as it ought to be, for the mischief it would create to others, beyond the capitalist and workers, in such an economical saving of labour.

Is it right?—can it be beneficial to suggest to the working classes, that we have all been working in error, and to lead them to fancy that some alteration in the laws of partnership may give the ignorant, though hard worker more, and the more intelligent

less? In another shape Mr. Mill's arguments appear to me to be precisely those of the Preston Turnouts; they asked for a different law for themselves, as the working classes; in fact for a larger fixed division, to obtain which some other class must be depressed. Perhaps it would be better to define where working begins, and where it ends.

Your friend the Reviewer seems to me almost to shirk the economical part of the question, except in the extract from Mr. Mill. One would have thought he would have laboured hard to shew that limited liability would enable the country to *produce* at a cheaper cost, and that therefore that saved part of the cost might be devoted to, or shared in good part by the workman. However, one of his authorities, Mr. Field, goes more earnestly and boldly into the economical part of the question. I quote from his pamphlet, (page 6.)—"It is manifest, further, that by allowing the advance of money into trade on limited liability terms of joint adventure, a *cheaper class* of capital is brought into trade—capital for which the advancers are willing to accept a lower return; and by the use of which the public gets a cheaper commodity." In my opinion, the general public would have to take the risk of loss, that the owner might get more by being able to lend with limited risk;—*we* seek to supply cheap capital, they say, *you* exclude it. Now, whence is this capital to be supplied? We are told in the same breath, that one main object of the advocates of limited



liability is to *raise* the value of money, and the rate of interest, to benefit chiefly the smaller capitalist. *He*, they say, is ignorant of the best means of investment; *his* money, they infer, lies dormant. To make it more active, they urge limited liability partnership. How *is* capital dormant in this country? The rate of interest is lower in England as a rule, than in any other. The profits of capital are small; therefore its intelligent possessor keeps it active, pushes it into every channel, forces it into manufactures of all classes, quite as fast as is prudent; and so supplies the demand, while the rate of interest is kept down.

Mr. Field asserts that the want of limited liability excludes *cheap capital*. When I refer to America, I will ask, why capital is dear there, with limited liability? and why cheap in England, without it?

What I should call cheap capital must really be the gain of prosperous trade,—like other good harvests, producing comfort and plenty. The rate of interest, whilst we had cheap corn, and were prosperous and at peace, was for a considerable period not above three per cent.; and still this capital kept increasing, still aiding our commercial prosperity; our labourer was everywhere well employed, and no reasonable project of commercial enterprize wanted funds. Manufactures in cotton, wool, and iron, increased rapidly, and the markets of the world were amply supplied. The check came from high-priced food, and war, taking our capital, and cramping our demand for other articles—savings became less plentiful, money-capital more scarce.

With respect to our present Joint Stock Companies or corporate bodies, my opinion, perhaps, may be sufficiently inferred without much further special reference to them. Under certain circumstances, as in Banks and Insurance Companies for instance, they may be valuable, requiring, as these do, large amounts of capital,—yielding, if legitimately carried on, a small per centage,—and not carrying with them, if soundly managed, a large amount of risk. More depends upon the honesty and responsibility of the management, than upon intelligence; but under no circumstances would I sanction chartered or limited responsibility in Banks. I am not prepared to offer the same opinion as regards Insurance Companies, for reasons I need not, perhaps, weary you by detailing. As regards Banks, it is impossible to prevent them trading; they will do so, directly or indirectly; they speculate in or become possessed of shares and scrip; of mills and manufactures of all kinds, which it would be folly to prevent them holding, or even working temporarily—they are traders from necessity, and I would treat them as such, making them fairly responsible.

It is the value of security that yields the Joint-stock Bank its profits, and for these profits, surely, the shareholders are honestly bound to give their entire responsibility. I may be told that a charter, and a large paid-up capital, with a public and a government inspection, would be ample security. The very extent of the transactions of a bank of wide-spread business, renders it utterly impossible that any one, two, or



three individuals can *thoroughly* understand the nature of the business, the nature of the risks; the shareholders must depend on each other's moral responsibility, and on the directors and servants. Is it not the fact, in this, that repeated instances of bad debts coming to large amounts, have been made public at times, which have been contracted by Joint-stock Banks, and which debts, even the very directors themselves, many of them been ignorant. The shareholders are easy under the circumstances, because their individual and average risk is but small; the fact of such business being done, is a burden on the part of the community for unlimited

I believe, then, the sole value of Joint-stock Companies is in their aggregated responsible *work* more expensively than a private establishment because they have continually to buy the products—experience and knowledge. The shareholders they cannot purchase, for no public body has the power to give the rewards of an individual

I am perfectly willing to admit that many of the Stock Companies, Railways, and Banks, managed by men of high ability and probity, *they* been sufficiently remunerated?—decidedly not. I may further admit, that many Boards of Directors contain men of undoubted talents and singleness of purpose; they feel their moral responsibility as fully as the pecuniary one; the very fact of such men taking such positions is a proof of the non-necessity for partnerships with

liability. Though I do not deny that good men might be directors of such companies with limited liability, still designing men would creep in, and the shareholders, less responsible themselves, would look for a less high standard of responsibility. I have shewn why I think corporate bodies have failed to secure and reward the best talent. It is somewhat curious, too, that they have had the experience of some of the very worst men as managers, directors, &c., and have suffered accordingly. Why, you and I have seen men as managers of Joint-Stock Banks, of the very worst moral character, the fact patent to the whole world, and yet these men played with a capital of *half-a-million*, for *years*; and the result is well remembered. Now no private concern would have kept such servants a month.

The character of this class of men was formed by their position—its temptations being too great. Now if the shareholders, in these cases, had only been responsible for the amount of their *shares*, the *public* would have suffered for the mismanagement, and for the wrong which permitted such exhibitions of moral depravity to be shewn. I believe the weight of this fearful responsibility has, since that time, done much to correct the evil, and men of the highest moral character are now placed at a different value; but I am certain the mischief has been corrected by the complete responsibility of the shareholders.

It has often struck me that the position of a shareholder in a Joint-stock, and that of a partner in a private



firm that are of so contrary a nature, as to require from the former, if possible, even a *greater* moral responsibility. The director of a trading Joint-stock company cannot at all times tell the whole truth to his shareholders, without injuring the value of the property under his care. He has probably no permanent interest in it; his pecuniary interest is to sell to-day rather than meet the storm he sees approaching, and always to keep up the nominal price of shares. I consider such a fact one of the inherent weaknesses of the Joint-stock system, and inevitable; and I state it that I may ask, if it be desirable further to encourage corporate trading, by remitting responsibilities? I do not wish that present associated capital or talent should be controlled, but I do ask that its extension should not be tempted by a concession, which would many times increase the difficulties natural to the system.

To me, therefore, the following extract appears a most extraordinary argument to bring forward, in favour of limited liability. It is taken from Mr. Field's pamphlet, (page 30).

“ The history of the failed company with unlimited liability is always the same—the years of plenty followed by the year of famine—a glittering bubble of success inflated to a balloon size, only to burst with a more fatal explosion—spreading in its locality, all the fevers of gamblers in its early days, and misery and destruction in its fall. An investigation into the positions of the sufferers, again, is most instructive. They will be found to be mainly the widows and children of the early shareholders; or the quiet indolent men led into the scheme by those who had helped to ruin it,

and quitted it, before its failure, on the first turn of its affairs. Doubtless, to limit the liability of a company, is to lessen its brute force of credit; but then, that is to lessen its awful powers of mischief and ruin;—to make its existence depend on its deserving credit; and to place it under the government of wise and cautious men, instead of the wild speculators who now so surely work their way to the command."

I do not differ from Mr. Field as to the truth of his picture, or that of some others which he refers to; but I really cannot see how a limited liability company, with a capital of one million, for instance, is to be worked under any rule, more honestly than one with the same amount of capital, but backed with the unlimited responsibility of the shareholders.

I need not trouble you or myself with any remarks upon the legal question connected with the subject. I should be very sorry for the necessity of any fresh enactment. To my mind the law is simple and plain. If an individual chooses to trade, let him be aware that he is fully liable—if he adventures for profit, it appears to me he should be liable for loss.

I cannot resist quoting the strange *practical* suggestion of the Reviewer, contained in the following extract, which might be headed "Trade Confessional,"—it is a rich specimen of what might be necessary as part of the system of limited liability,—(page 31).

"But those who would introduce the system of limited liability into this country, do not wish to see it turned into an engine of deceit; and they have, therefore, always proposed, as the best preventive of fraud, that associations based on that principle should make public all such particulars of their affairs as would show the

churches, lyceums and libraries, saving-fund societies and trust companies, exist in numbers proportioned to the wants of the people, and all are corporations. Every district has its local bank, of a size to suit its wants, the stock of which is owned by the small capitalists of the neighbourhood, and managed by themselves; the consequence of which is, that in no part of the world is the system of banking so perfect, so little liable to vibration in the amount of loans—the necessary effect of which is, that in none is the value of property so little affected by changes in the amount or value of the currency, resulting from the movements of *their own* banking institutions. In the two states to which we have particularly referred, they are almost two hundred in number. Massachusetts, alone, offers to our view fifty-three insurance-offices, of various forms, scattered through the state, and all incorporated. *Factories are incorporated, and are owned in shares; and every one that has any part in the management* of their concerns, from the purchase of the raw material to the sale of the manufactured article, *is a part owner; while every one employed in them has a prospect of becoming one, by the use of prudence, exertion, and economy.* Charitable associations exist in large numbers, and all are incorporated. *Fishing vessels are owned in shares* by those who navigate them; and *the sailors of a whaling-ship depend, in a great degree, if not altogether, upon the success of the voyage for their compensation.* Every master of a vessel trading in the Southern Ocean, is a part owner; and the interest he possesses is a strong inducement to exertion and economy, by the aid of which the people of New England are rapidly driving out the competition of other nations for the trade of that part of the world. Wherever settled, they exhibit the same tendency to combination of action. In New York, they are the chief owners of *the lines of packet-ships, which are divided into shares, owned by the shipbuilders, the merchants, the master, and the mates; which last generally acquire the means of becoming themselves masters, and to this is due their great success.* The system is the most perfectly democratic of any in the world. *It affords to every labourer, every sailor, every operative, male or female, the prospect of advancement; and its results are precisely such as we should have*



reason to expect. In no part of the world are talent, industry, and prudence, so certain to be largely rewarded.'"

The question I wish to solve appears to be, whether this same limited liability, to which all this prosperity is ascribed, is not *now* becoming rather a bar to it than otherwise.

The prosperity of America, by her adoption of the Joint-stock system, is referred to as one of the strongest proofs of its value; most unfortunately, I think, at this precise period, for those who advocate its adoption here. The amount of fraud and insolvency in America, (it would be a hateful though easy task to chronicle details and statistics,) I believe to be double or treble what it is in this country, on the same amount of business. Truth forces the assertion. I have been largely associated in business with American citizens for very many years, and have found them individually as honourable and right-minded as those of any other nation; but the amount of temptation created by the Joint-stock system in the United States they acknowledge to be productive of the results I have stated;—the system is bad, human nature would be the same everywhere. Speculative adventures, large profits, corresponding losses, the rapid transition from poverty to wealth, leading to profuseness of living and recklessness of commercial reputation, lead one, however reluctantly, to contrast the relative moral standing in American commercial affairs with our own. Late enormous frauds in scrip and bonds, have been disgusting and disgraceful on both

sides; and if those in the United States have greatly exceeded ours, it has been, I believe, owing to the extent, in America, of Joint-stock business, and the lower tone of commercial morality it has produced. Even supposing other reasons wanting against limited liability, with this fact our legislators will surely pause, before we are committed to a system founded on so demoralizing a tendency.

This question of limited liability is one of great interest to those of us in trade, and naturally leads us to compare our own position without it, with that of our American competitors with it.

Our trade is free, quite unprotected,—theirs the reverse, highly protected. Our trade is worked almost exclusively by private capitalists with unlimited liability,—theirs chiefly by Joint-stock companies, with limited liability. Our manufacturers' credits are short, chiefly cash transactions with little risk,—theirs almost entirely long, with long-dated bills and their concurrent risks. One of the cheapest elements of cost with us, is capital,—with them it is one of the dearest. Their Joint-stock Banking concerns pay infinitely better dividends than their Manufacturing Corporations,—here our manufactures pay better than our banks, Joint-stock ones at least. Land with us is dear, and does not tempt as a trading investment. Cheap capital with us promotes its active use in trade. Land in the United States is cheap and plentiful, and tempts capital and labour—*real capital*. Capital there

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is very dear, and cannot be spared for manufacturing purposes.

Admitting the correctness of these contrasts, it may be averred that the same system of partnership is hardly suited for both countries, and that under existing circumstances, Joint-stocks in America, *for the present*, may be inevitable. I will venture the opinion that they could not exist at all under a system of Free Trade, and most certainly we cannot now return to any other system. Free Trade requires cheap capital, quick returns, little risk,—America has none of these;—she has apparently large profits, but risky and uncertain. The contrast continues deeply marked, also, in the relative condition of the English and American operatives employed in the cotton trade. The American establishments, those at Lowell for instance, sprang almost at once into existence, on a large scale, with abundant though high-priced capital, cheap land and water power, largely protected profits gained in the midst of a thriving population living on cheap food, and with a taxation probably not more than one-third of our own. The workers were taken from an intelligent state-educated population, many of them, as we are told, resorting to the mills rather as a means of saving for future investment, than as a necessity for a livelihood. Such hands, then, could not be otherwise than of a high class, contrasting very strongly, physically and morally, with the dense population congregated in many of our own manufacturing districts.

Our population has been weighed down by poverty, (I do not say now,) the result of war, debt, and taxation, and by dear provisions, kept or attempted to be kept at a famine price by Corn Law monopoly. If laterly we have been *surely and soundly* emerging from this degraded state, we shall not be wrong, I think, in ascribing the change to peace, a sound currency, reform and free trade. The moral and physical condition of our hands has of late greatly improved. I have had this opinion confirmed from time to time, by some of the best informed of my American friends, who watch narrowly and take an interest in the question of the welfare of the people in both hemispheres. With this, too, I have had the admission, that their own manufacturing population was not improving with its increase, though in part owing to the mixture of emigrants of a poorly-educated class. I believe, now, that the wide-spread existence of Joint-stock Companies in the United States, will render it impossible for free trade or cheap production to make progress there. These corporate bodies have sprung up under protection, and can only exist under it; every shareholder has, therefore, a direct apparent advantage in upholding the system.

We are continually told of this American prosperity, and of the rapid increase of manufactures under this system of limited liability. We are told on high authority, (Mr. Daniel Kirkman Hodgson,) "that the experience of all countries where those partnerships have existed is decidedly in their favour." I have



heard the contrary opinion expressed by many of the American merchants and manufacturers of the highest standing, and by shareholders in such establishments themselves. Mr. Field admits that the President of the Board of Trade asserted, he had met with the same opinion from Massachusetts and the New York States.

A few more words as to the profits of these Joint-stock manufacturing companies. I believe the average profit (I make the statement upon the very best American authority) for the last five years, upon ten of the best of such concerns, will not have been at the rate of more than eight or nine per cent. per annum. Now during the same period, the current rate of interest on money not sunk, but floating, has been at about the same rate of income, with the very best security. Contrast this rate of profit with the same amount of manufacturing power, in the hands of private concerns in this country; where, during the same period, the rate of profit has been certainly higher, while the rate of interest on floating capital has not exceeded four per cent. Truly the Joint-stock system holds out no particular inducement for imitation.

One other curious contrast, impressing still more on my mind the radical unsoundness of the commercial system in America is, that during the same period in which her manufacturing establishments only paid a dividend of eight or nine per cent. per annum,—a much lower profit than is realized even on this side the water,—the amount of dividends paid by her best Joint-stock *Banks* was probably double those in this

country. No wonder, with the accommodation and the discounts wanted by her manufacturers, that *their* profits were small, and those of the Banks large.

You will tell me, that if the value of money in this country has only, for the period referred to, averaged four per cent., that fact holds out a strong inducement in favour of Joint-stock Companies, which would realize at least the American rate of profit. I do not believe it. I believe that the inevitably cumbersome and expensive management of a corporate body, would not enable it to realize a rate of profit, even in this country, equal to one half that of a private establishment. I believe that the rate of profit of a Joint-stock Company, would very little exceed the current rate of interest obtainable with fair security, and further, that if the Joint-stock system with limited liability were permitted to extend itself, so as to create a powerful interest in its favour, nothing would so much tend to raise up a cry in favour of protection, to aid such companies at the public expense.

American manufactures have increased by means of the Joint-stock system, only by substituting credit for capital. It will hardly be affirmed that their money capital has increased in the same ratio as our own. How is it, then, that with capital so cheap here, if there were any confidence in their Joint-stock system, English capital has not been more freely transferred for manufacturing purposes there? The cause, I fancy, will be found in the fact, that those who are most far-seeing in these matters, dare not risk investments



under such a system. For purposes *not trading*, such as railroads, State stocks, &c. (the class of securities we should consider suitable enough for Joint-stocks here the amount of foreign capital supplied to the United States is ascertained to be very large, perhaps two thirds of the whole.

I come to the conclusion, then, that the American system of manufacturing by Joint-stock companies is expensive and unsound; and consequently cannot be competitive with ourselves in neutral markets. They may be apparently prosperous in their own home territory. With a continually increasing population, an expanding territory, new lands yielding to cultivation by well-educated people, a small taxation, and great comforts of consumption within themselves, they possess advantages which may render them prosperous, in spite of a bad system of partnership.

One other point in reference to America. I have known many of our best class hands from the manufacturing districts who have emigrated to the States, and who have done so with a view to their progress there. Comparatively few of them attached themselves to manufactures; many who have done so have returned, especially lately, notwithstanding the same certainty of employment as formerly, and the high wages to tempt them to remain abroad.

Again, in all my experience, I have never seen an English workman mention, or refer to the Joint-stock manufacturing establishments as an investment.

Since penning these opinions on America

met with an article in Chambers', on "Things as they are in America," being the practical observations of the writer, Mr. William Chambers, during a recent tour in the United States. I cannot forbear quoting the article at great length,* because it singularly bears out what I had written from my own information and deductions before reading it. It confirms me in the opinion that America is the field for the investment of capital in agriculture, not in manufactures; and it bears out, but too truly, the apparently unkind remarks I have been led into, on the profuseness of expenditure in the higher and capitalist classes in America, as contrasted with that of our own.

I need not, if I had the requisite knowledge, refer to the effects of partnership worked *en commandité*, or in any other form of limited liability, in any other country. I could only apply the same arguments I have made use of in referring to America. With perhaps two exceptions, the manufactures of all other countries are highly protected. We have no evidence that masters or men are better off than with us,—nay, I believe that *now*, the working-classes in England are more prosperous, and more soundly so, too, than in any other European state.

I do hope, then, that the legislature will be very chary in making any concessions in liability. If charters are to be granted, I should like to see it definitely fixed that they should not be so for trading purposes, in competition with private capital. There

* See Appendix.

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are doubtless many objects which may su
selves as fit and proper for charters—publi
minor class, lodging-houses, parks, wash-ho
schemes as are prompted by benevolence
profit, and in which the shareholders wo
to limit the dividend to a low, or a fixed rat
for investments, not trading schemes. As to
interest suffering, owing to the refusal of
a charter, I do not in the least fear it
fact of the Board of Trade refusing a
guarantee that private attention will be d
Charters cannot be required where capital
as with us, except there be a poor prosp
and considerable risk,—and why shoul
schemes be encouraged, at the cost of any
producer or the speculator?—they woul
public benefit.

It was stated as a grievance, only a few
“The Times,” that a charter had been re
Board of Trade for the manufacture of
some new material. Now if the inventio
anything, private capital would readily
the funds, and the inventor might have
two partners only, instead of many; th
therefore, is, that the value of it was so
that no capitalist would touch it, and so
tries to get it tested by the capital of th
willing to take a speculative risk witho
bility. In my opinion there is no rea
invention, that private capital will not
up in this country.

I believe a charter has hardly ever been applied for, for any object, unless the promoter has been unsuccessful in his attempt to impress its value on some capitalist. I allude now to charters for trading purposes, not for a scientific discovery or application, partaking perhaps more of the character of an invention secured by patent. In the case of granting charters for desirable objects, after the legislature has defined, as clearly as possible, the range for which they should be given, I would leave the decision to the Board of Trade, or if needed beyond that, to a Board of Appeal, composed, perhaps, of three members appointed for a period, say four years, and going out in rotation. Let the chairman be, if you will, a barrister; the two others, one an engineer, and the other a mercantile man; let the fees be moderate and the decision quick, and I do not think the tribunal would be unsatisfactory. I am free, however, to confess, that I would, for reasons of economy and fairness in competition, leave, as far as possible, everything to the working of private capital. I see very few schemes it could not grasp; nay even the formation of our railroads begins to assume more the character of private speculation; we find a few enterprising capitalists generally offering to form them, find plant, and work them, guaranteeing certain dividends. Am I wrong in stating, that any amount, up to a million of money, may easily be procured from capitalists on such terms? The shareholders in more than one or two of the lesser lines have latterly

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merely represented such capitalists, or have been put forward as the means of getting the parliamentary powers; and I believe railways will be better and more cheaply made in this mode than by any other.

Does any one believe that if charters were not granted to Steam Boat Companies, boats would not be supplied to every port in the world, as quickly as the increase of civilization and trade gave promise of freight? I believe they would be worked more cheaply, and that the competition would be sounder, than if a few colossal companies were allowed by charter to combine, with limited liability, and monopolize certain lines, by running a portion of them at a loss for the purpose of clearing off an individual steam-ship owner. An individual relies more on economy, energy and competition; corporations have always an eye to monopoly, and jealousy seems to be a distinctive feature of a chartered company.

A very few words will conclude my remarks on the paper from the Westminster Review, which has in good part suggested these pages. The whole article strikes me as an eloquent appeal for a privilege on behalf of the weaker classes, on the ground that they are kept down by the stronger. I resist it because I think it would make the poor poorer, and render the rich man both less able and willing to aid them, if he supposed that they had already exclusive privileges for their benefit. I resist the appeal more than all, because instead of enhancing the power which responsibility always gives, it tries to lessen it.

The Reviewer says, (page 63,) "For ourselves we concur with Mr. Mill, in thinking that it is not probable that the working-classes will ever be permanently contented with the condition of labouring for wages as their ultimate state ; and we shall ever lend them our humble aid to raise them above it."

Many would join in the promise of the best aid,—education ; teaching them to estimate their position, that, by the knowledge thus acquired, they might step out from it, without sacrificing their independence by relying on a limitation of responsibility, moral or pecuniary. None would more willingly thus aid them than,

Dear Sir,

Yours truly,

A MANCHESTER MAN.

MANCHESTER, *January 10th, 1855.*



APPENDIX.

(From Chambers' Journal, October 14th, 18...

“ In forming an opinion of a country, much depends from which it is viewed. The point of view from which it appears to me, is America itself. To look at it from the point of view of English expectations, is surely unwise. How foolish for any one fresh from the Old Country to look for tithes, gentlemen's seats, fine lawns, beautiful hedgerows, superb carriages, old-settled usages and institutions of manner which in England has required time to mature. We must take America as it is, and not as it appears. It is a new, and, as yet, not fully settled country. Things considered, has done wonders during its short history. One can forget that, except in the case of Virginia and other places, it has been peopled by the more advanced, struggling classes of European society. The English have shrunk from it. Instead of acting as the heroes of a new world, they have been content with founding communities throughout America to support the idle and luxurious individuals, who at least possessed the means to cross the Atlantic in quest of fortune, rather than sink into poverty.”

The proper aspect, therefore, in which to view America is as a field for the reception of emigrants. It was thus that it appeared from all that came under my notice, I am bound to regard it as a new home to all whose hearts and hands are free, and who, for the sake of future prospects, as respectable families, are willing to make a present sacrifice. As regards the married manual labourers, the United States



peculiarly attractive field ; not so much so, however, from the higher rates of remuneration, as the many opportunities for advantageously making investments, and by that means greatly improving their circumstances. This, indeed, is the only point worth pressing on notice. In England, the operative having scarcely any means of disposing of small savings to advantage—the interest of the savings-bank forming no adequate temptation—he rarely economises, but recklessly spends all his earnings, of whatever amount, on present indulgences. It is vain, I fear, to try to convince him of this folly. Practically, he is without hope ; and, uninstructed, he does not reflect on consequences. In America, on the contrary, everything contributes to excite his higher emotions. The sentiment of hope is stimulated in an extraordinary degree. In the more newly settled cities and townships, so many bargains may be had of small portions of land, which may probably, in a year or two hence, be sold for many times the original cost, that there is the greatest possible reason for economising and becoming capitalists. The saved twenty dollars of to-day may, by a judicious investment, be shortly a hundred, nay, a thousand, dollars ; so that, with a reasonable degree of prudence, a person in humble circumstances rises by rapid and sure strides to fortune.

I feel assured that this tends to explain the superior character of the American workman. In coming down Lake St. Clair in a steamer, there was on board a Canadian settler, who had some years ago left Scotland, and was now in the enjoyment of a pleasant and thriving farm on the banks of the lake. On conversing with him respecting his affairs, he told me that all the time he was in the Old Country, he never felt any inducement to save ; for it was a dreary thing to look forward to the accumulation of a shilling or two a week, with no prospect of trading on the amount, and only at the end of his days having a few pounds in the savings-bank. ‘But here,’ said he, ‘with a saving of two dollars we can buy an acre of land, and may, perhaps, sell it again afterwards for ten dollars ; and this kind of thing makes us all very careful.’ Did not this man’s explanation solve the problem which now engages the attention of writers on social economy ? Did it not go far towards eluci-



dating the cause of so much of our intemperance—the hope? The native American, however, possesses advantages over the immigrant. With intelligence sharpened by education, he is better able to take advantage of all available means of improvement in his condition; the press rouses him with its daily reports; the law interposes no impediment of taxes and embarrassments to the transfer of property; the constitution offers him the opportunity of rising to a position of public confidence; no overshadowing aristocracy weighs on his spirits; he is socially and politically free; his feelings, from boyhood, have been those of a responsible and self-reliant being, who has had much to gain by the exercise of his own faculties.

If I may use the expression, there is a *spontaneity* of action in America. In the circumstances just referred to, the people act for themselves properly, because it is natural for them to do so. From the aspect of the American operative classes, I do not think they would feel affronted in being made objects of public solicitude by those in a more affluent condition. To require that they should have the thinking done for them by another class, would be a thing socially defective. The whole tendency of the present arrangements in America, as has been shown, is to encourage a spirit of self-reliance. A contrary tendency still prevails to some extent in Great Britain, where, from causes which it is unnecessary to detail, the humbler classes require to be ministered to as if they were children. We must contrive means to keep them from mischief; call meetings, reading-rooms, baths, wash-houses, and temperance societies; offer prizes to those among them who will keep their houses and gardens; and in so many ways busy our attention about them, that at length it would seem as if it were the duty of the community to think for the other. The spectacle of an educated, thoughtful, independent America, enabled to do so through the fallacy of first disabling a man from thinking for himself, and then trying to fortify him by a system of patronage, but really enervating patronage. It is something to

the United States, that the mechanics and rural labourers of that country do not require to be patronised.

The persons in America who seemed to me to merit compassion most, were not the poor, for of these there are not many, except in a few large cities: those who are to be pitied, are the rich. Obtaining wealth by a course of successful industry, it would appear as if there were no other means of spending it than in rearing splendid mansions, and furnishing them in a style of Oriental luxury, and thereafter living in gorgeous magnificence, like the prince-merchants of Genoa in the past times of Italian glory. So far as the actual founders of fortunes are concerned, there is, perhaps, little to discommend in all this; but it was disagreeably pressed on my notice, that the sons of these millionaires, born to do nothing but to live on their father's earnings, were much to be pitied. In New York, they were seen lounging about idly in the parlours and bar-rooms of the hotels, worn out with dissipation, and the nightly victims of gambling-houses, of which there are a number in Broadway on a scale of matchless splendour. Among the vices they have lately thought fit to introduce, is the practice, now obsolete in England, of encouraging professional pugilism, the exercise of which occasionally leads to serious affrays. In Great Britain, as we all know, a considerable part of the fortunes realised in trade is expended in the purchase of land, and in effecting rural improvements of various kinds; the country, by such means, becoming a useful engine of depletion to the town; but, in America, land conveys no honour, and is not bought except as a temporary investment, or as a source of livelihood. Wealthy men, therefore, would have nothing to look for in rural life beyond the pleasure of a villa; so far as I could learn, they do not even go that length, but consume their means, for the most part, in the more seductive but not very refining enjoyments of the city. With few exceptions, therefore, families of any note do not continue in affluence more than one or two generations. An 'old family' in America, must ever be a kind of miracle. The principle which seems to be laid down is, that family distinction is adverse to democratic institutions; and that, consequently, each generation ought to be left to shift for itself—a philosophic rule,

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no doubt, but which, like many other good maxims, is not without practical difficulties.

Leaving the wealthier classes of New York to discover, if they can, what is the use of money after they have made it, it is more to my purpose to call attention to the advantages which America presents as an outlet for the redundant and partially impoverished classes of the United Kingdom. When I reflect on the condition of the rural labourers in many parts of Great Britain and Ireland—the poorness of their living; their generally wretched dwellings; the little pains taken to afford them an education calculated to excite their better feelings; their blank prospects as to old age; and when I consider that, within a short distance, there is a country inviting their settlement, where they can scarcely fail to attain a position of comfort and respectability, I am surprised that the ‘exodus,’ great as it is, is not many times greater—in fact, the astonishing thing, as it appears to me, is, how, under present circumstances, any at all remain.”



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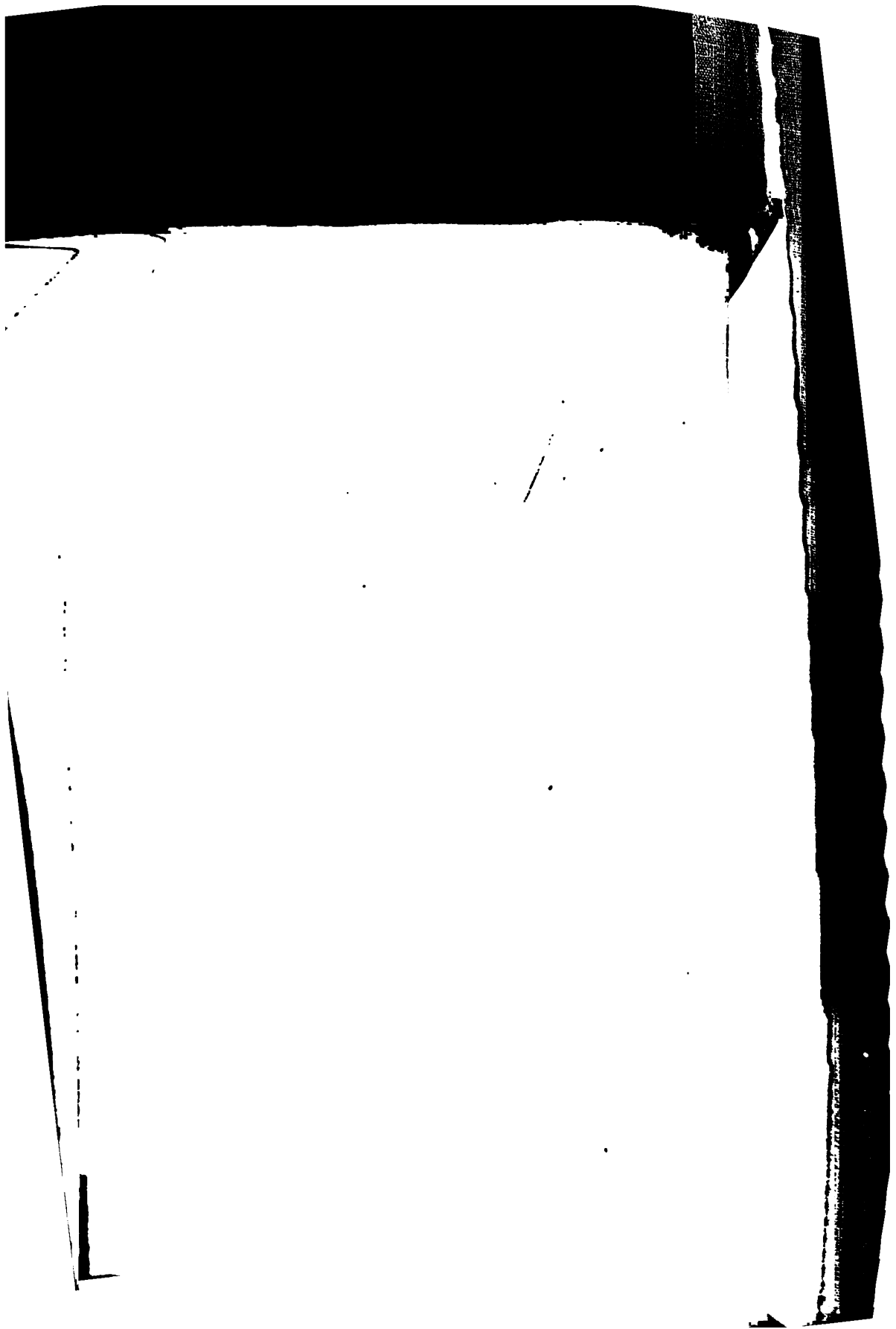
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